

The Surety Industry



The Industry

- Boutique Industry
- \$4.3 Billion in revenue
- More than than \$430 Billion in risk
- Sureties typically divisions of, or wholly owned by large insurance companies

Underwriting

Premiums	2004 Surety
Direct Written	4,265,934,319
Direct Premiums Earned	4,081,720,567
Direct Loss Incurred	2,432,747,955
Direct Loss Ratio	59.6%

A Historical View

Top 10 Writers (1979)	% of Market
United States Fidelity & Guarantee (USF & G)	7.9
Aetna Life & Casualty	7.9
Fidelity & Deposit Group	7.2
Fireman's Fund Group	5.9
Travelers	5.0
Reliance	4.7
Chubb	4.6
St. Paul	4.2
INA	3.7
Safeco	3.3
	<hr/> 54.4%

The Players Today

Top 10 Writers (2004)	Written Premium (in thousands)	% of Market
St. Paul/Travelers Group	919,353	21.6
CNA	353,464	8.3
Zurich	324,216	7.6
Safeco	261,955	6.3
Chubb	210,520	4.9
Liberty	173,838	4.1
Hartford	163,507	3.8
HICA	147,989	3.5
XL America	88,598	2.1
ARCH	87,598	<u>2.1</u>
		64.3%

Where We Are Now: 2005

- Large losses continue
- Capacity – Limited number of Sureties on Large Risk
- Mergers/Sold/Discontinued

Surety Industry

- Reinsurance
 - Underwriting
 - Commercial surety
 - Contract surety
 - Capacity
 - Rates stabilized
- Markets:
 - ◆ SBA
 - ◆ Secondary markets
 - ◆ Regional
 - ◆ National

Where Are We Going?

What Should We Be Doing?

- “Be Proactive – Not Reactive”:
 - ◆ Address your problems
 - ◆ Be realistic – under promise
 - ◆ Project conservatively financially
 - ◆ Be selective
 - ◆ Know owners, A/E, subcontractors and vendors

What Contractors Can Do

- Relationships – surety and agent/broker:
 - ◆ Surety as a partner
 - ◆ Keep them informed
 - ◆ No surprises!
 - ◆ Relationships are vital

What Contractors Can do

- Focus on the surety:
 - ◆ Be aware of changes in the market
 - ◆ Track their financial condition
 - ◆ Build a plan

Thank You

Sarah Finn

2nd Vice President

NASBP

1828 L Street NW Suite 720

Washington, DC 20036

United States of America

(202) 686-3700

(202) 686-3656 fax

Vice President

IMA of Colorado Inc.

1550 17th Street, Suite 600

Denver, CO 80202-2423

(303) 534-4567

800-813-0203

(303) 534-0600 fax

sarah.finn@imacorp.com

Keith Thompson

Contract Surety Manager

Mountain States Region

Denver Regional Office

7670 S. Chester Street, Suite 300

Englewood, CO 80112

(303) 645-8611

800-525-7418 Ext. 8611

(303) 645-8610 fax

keith.thompson@thehartford.com